

September 28th, 2021
Delivered via Email

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West End Home Builders' Association Comments: City of Hamilton Vacant Homes Tax Policy

The West End Home Builders' Association (WE HBA) is the voice of the land development, new housing and professional renovation industries in Hamilton and Halton Region. The WE HBA represents nearly 300 member companies made up of all disciplines involved in land development and residential construction, including: builders, developers, professional renovators, trade contractors, consultants, and suppliers. The residential construction industry employed over 20,180 people, paying \$1.3 billion in wages, and contributed over \$2.3 billion in investment value within the Hamilton Census Metropolitan Area in 2020.

The West End Home Builders' Association appreciates the opportunity to provide comments on the City of Hamilton's proposed analysis regarding a Vacant Home Tax. We would also like to thank City Staff for making the time to discuss the concept of the tax and proposed structure with our association. WE HBA appreciates that the intent of the tax is to discourage the unproductive use of housing with an objective to make more housing supply available in the City of Hamilton.

WE HBA is not opposed to the development of a Vacant Home Tax, though we do believe the implementation of the tax must not interfere with the construction of new housing supply. Any action with respect to a new tax must be undertaken with extreme precision and caution to avoid unintended consequences. Furthermore, any proposed tax should be designed in such a way as to target only unproductive use of properties that are being used to capture appreciation and equity. WE HBA does not believe that the number of vacant homes in Hamilton is significantly impacting the supply of affordable housing in Hamilton. We maintain that the growth in the supply of new housing units is the best method to address the housing crisis, as new supply continues to lag behind our population growth in the GTHA.

Furthermore, in light of the federal election and the return of a Liberal Minority Government to Parliament Hill, WE HBA would like to draw the City of Hamilton's attention to a proposed federal Vacant Home Tax that was recently available for consultation. WE HBA would recommend that the City of Hamilton proceed with caution and delay further consultation for a municipal vacant homes tax until the federal program is designed to ensure it does not duplicate a federal tax through this initiative.

Potential for Duplication of a Federal Tax

Prior to the calling of the recent federal election, the federal government had begun consultations on a Canada-wide vacant home tax. As the new federal government is formed, it is likely the development of this federal tax will resume. The Liberal election platform contains a section titled "curb unproductive foreign ownership" which targets January 1, 2022 for a national tax on non-resident, non-Canadian owners of vacant, underused housing. WE HBA understands that City Staff would not wish to duplicate a tax at the local level if the Government of Canada will be implementing a tax at the federal level. WE HBA would suggest the City of Hamilton monitor the emergence of the federal vacant home tax

structure, and WE HBA recommends waiting to consult further on a Hamilton Vacant Home tax until the future of the federal vacant home tax is confirmed.

Exemptions That Must Be Considered

Below are a number of exemptions the WE HBA recommends be considered as part of any Vacant Home Tax structure:

- *Properties Under Renovation* – WE HBA members support the City of Hamilton providing an exemption from the tax for properties that are undergoing renovations with the appropriate building permits. The Vacant Home Tax should not penalize property owners for improving their properties, despite needing to have the property vacant for a period of time.
- *Properties Vacant Due to Death or Health of Owners* – WE HBA supports the City not taxing properties that are vacant due to the death of an owner or if the owner has left the home vacant while receiving medical or supportive care.
- *Court Order Prohibiting Sale, Rental or Occupation of the Property* – WE HBA supports the City not taxing properties that are vacant due to a prohibition on occupation of the home.
- *Properties Listed for Rent or Sale* – WE HBA strongly supports the City not taxing properties that are vacant as owners are working to continue occupation of the property.
- *Uninhabitable Properties* – Often, property owners or developers will purchase a property which may include a vacant but uninhabitable home (derelict, presenting dangerous health and safety concerns) with the intention to redevelop the site. Occasionally these properties may have had previous tenants, but the expense of bringing the unit or home up to an acceptable property standard to rent to new tenants is prohibitive given the intention of demolishing and redeveloping the site. Given it is not possible for developers to complete the redevelopment process as required by the City within a timeframe of two years, there must be an exemption made for these types of properties. This is important to ensure the tax does not add unnecessary costs or inhibit the redevelopment and addition of new or improved new housing supply.
- *Properties Proceeding Through the Development Permitting and Approvals Process* – WE HBA strongly recommends the City provide an exemption for properties that have active applications for redevelopment submitted with the City. Due to the time it takes to develop land and obtain demolition permits, and the uncertainty and lack of predictability about when permits will be issued it can be a significant challenge to find tenants to inhabit the units during that time. Additionally, when the time does come to demolish the unit, our members have concerns with the need to evict tenants. Therefore, the City should exempt properties that have applications for redevelopment open, as requiring these properties or homes to be occupied is not conducive to stable and predictable tenures for potential tenants.

Conclusion

WE HBA appreciates that the purpose of the Vacant Home Tax is to increase the available supply of homes in the City of Hamilton. WE HBA cautions that a vacancy tax would address symptoms of the housing supply problem in Hamilton, rather than the root cause. Through research from the Smart Prosperity Institute that WE HBA has funded, the high costs of housing in Hamilton result from a lack of new housing construction, as our housing completions in Hamilton have not kept pace with the rate of population growth in the province.

The WE HBA wishes to make it clear that we are not opposed to the implementation of demand-side measures such as a municipal Vacant Homes Tax, if it is properly designed to encourage existing unproductive vacant properties to become available for rent or for ownership. When it comes then to the possible adoption of a tax on underused housing, it is important that such a measure is carefully crafted to ensure it properly targets only unproductive housing demand and does not stifle much needed new housing supply. WE HBA therefore strongly recommends the City of Hamilton be cautious in its approach and that two key recommendations be adopted should the City proceed with a Vacant Homes Tax:

- a) Delay advancing a new tax until the Federal Vacant Homes Tax has been consulted on, designed, and implemented to avoid any duplication and to learn from that federal consultation; and
- b) Adopt appropriate exemptions to avoid unintended consequences and harm caused by inappropriately taxing properties, inadvertently creating pent-up demand, or inadvertently limiting housing supply.

Our membership is supportive of measures to enhance housing supply. Furthermore, our membership strongly feels that for our residents to find housing at affordable prices, the City of Hamilton should ensure that the development of new housing supply is easier to facilitate. This is because bringing new housing supply into the Hamilton market is often a long multi-year process that carries significant risk and often local opposition for our members. Addressing the core issues and barriers to increasing the supply of both available and affordable housing are critical to the future of Hamilton.

Kind Regards,

A handwritten signature in black ink that reads "Michelle Diplock". The signature is written in a cursive, flowing style.

Michelle Diplock, M. Pl.
Manager of Planning and Government Relations
West End Home Builders' Association